

Automatic Medicare Part A Entitlement

- At age 65 when receiving reduced Social Security retirement or survivor benefits
- After receiving Social Security disability benefits for 24 months
- When applying for Social Security at age 65 or older

Social Security and Medicare Retroactive Effective Dates

Based on application filed for retirement or survivor benefits at age 65 or older:

- Social Security reduced benefits before age 66 - no retroactivity
- Social Security unreduced benefits at age 66 or older - up to six months retroactivity but not before age 66

Retroactive Effective Dates (continued)

- Medicare Part A - always retroactively effective up to six months when applying for Social Security retirement or survivors benefits after age 65
- Medicare retroactive effective date affects HSA contributions

IRS Rule on HSA Contributions

- Employee and employer not eligible to contribute for months on Medicare
- Excess (ineligible) contributions for months on Medicare are taxable income unless repaid to employer

Can You Stop Medicare Part A?

- Cannot refuse or opt out of Medicare Part A when receiving or applying for Social Security
- To end Part A - withdraw Social Security application and repay any Social Security and Medicare benefits already received

Scenario – Mr. S.

- Turned 65 January 2013
- Works full time
- Covered by high deductible EGHP
- Has creditable Rx coverage
- He and employer contribute to HSA
- Due to IRS Rule - did not apply for Medicare or Social Security

Scenario (continued)

After retirement will purchase:

- Medigap and Part D plans, or
- MA plan with Rx coverage

Example 1

- Wants unreduced Social Security at age 66 in January 2014
- Applied for Social Security in November 2013
- Part A started retroactively effective May 2013
- Excess HSA contributions beginning May are taxable income unless repaid to employer
- Could withdraw Social Security application to end Part A and avoid excess HSA contributions

Example 2

- Wants unreduced Social Security to start January 2014 at age 66
- Wants to avoid income tax liability based on excess HSA contributions
- October 2013 tells employer to stop HSA contributions at end of December 2013
- Changes EGHP effective January 2014 to plan with higher premiums, lower deductibles and co-pays and keeps creditable Rx coverage

Example 2 (continued)

- Waits until July 2014 to apply for Social Security
- Social Security and Part A start six months retroactively effective January 2014
- Will get six months retroactive Social Security benefits in a lump sum
- Avoids excess HSA contributions

Example 3

- Decided to retire at end of December 2013
- Applied for unreduced Social Security with Medicare Part B in December 2013
- Social Security starts effective January 2014
- Part A starts effective June 2013
- Part B starts effective January 2014

Example 3 (continued)

- Has six month Medigap guaranteed issuance period when Part B begins
- Has two month MA and Part D special enrollment periods based on loss of EGHP and creditable Rx coverage
- Will have taxable excess HSA contributions beginning June 2013 unless repaid to employer

